

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: January 11, 2010
POSITION: Neutral

BILL NUMBER: AB 1088
AUTHOR: N. Fletcher

BILL SUMMARY: Taxpayer Contributions: Cal. Veterans Homes Fund

This bill would establish the California Veterans Homes Fund (Fund) and add it to the personal income tax return as a voluntary contribution fund, to provide an additional funding source for veterans homes administered by the California Department of Veterans Affairs.

FISCAL SUMMARY

The Franchise Tax Board (FTB) estimates that personal income tax revenues could be reduced by about \$15,000 annually as a result of this bill. This bill is not expected to significantly affect the operating costs of the FTB or the State Controller's Office.

COMMENTS

The Department of Finance is neutral on this bill and notes that it would allow taxpayers the opportunity to provide additional financial support for the veterans homes by making voluntary contributions to this Fund.

Analyst/Principal (0727) P. Ng	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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ANALYSIS

A. Programmatic Analysis

Existing state law permits taxpayers to make contributions of their own funds on their tax returns to fifteen voluntary contribution funds. Taxpayers simply check-off on their tax forms where they would like the money donated. Unlike the federal tax check-off, which directs a portion of the taxpayer's tax to the presidential election fund and does not affect the taxpayer's tax liability or refund amount, the state tax check-off is a donation of the taxpayer's own money that permits an itemized deduction in the following year for personal income tax purposes. Currently available "check-off" funds are listed below. Applicable sunset dates are noted in parenthesis.

1. ALS/Lou Gehrig's Disease Research Fund (1/1/2013)
2. Alzheimer's Disease/Related Disorders Fund (1/1/2015)
3. California Breast Cancer Research Fund (1/1/2013)
4. California Cancer Center Research Fund (1/1/2013)
5. California Firefighters' Memorial Fund (1/1/2016)
6. California Fund for Senior Citizens (1/1/2015)
7. California Military Family Relief Fund (1/1/2015)
8. California Ovarian Cancer Research Fund (1/1/2013)
9. California Peace Officer Memorial Foundation Fund (1/1/2016)
10. California Sea Otter Fund (1/1/2012)
11. California Seniors Special Fund (none)a/
12. Emergency Food for Families Fund (1/1/2014)
13. Municipal Shelter Spay and Neuter Fund (1/1/2013)
14. Rare and Endangered Species Preservation Fund (1/1/2013)
15. State Children's Trust Fund for the Prevention of Child Abuse (1/1/2013)

a/ The California Seniors Special Fund check-off is permanent and taxpayers are allowed to donate all or part of their senior exemption credit.

Current law allows the Franchise Tax Board (FTB) to add contingent income tax check-offs to the return if there is room to do so, regardless of how many check-offs were removed from the return that year. When adding contingent check-offs to the return, the FTB follows a statutory ordering rule based on the date of enactment for voluntary contribution designations to be added to the tax form. The first check-off added is based on the earliest date of enactment or the lowest chapter number if enacted on the same date.

Generally, the check-offs are required to meet a minimum contribution test of \$250,000 on an annual basis. The intent of the \$250,000 minimum contribution requirement (except for California Fund for Senior Citizens, this amount is adjusted for inflation in subsequent tax years) is to ensure that check-off funds have sufficient public support to warrant continued placement on the tax return. The California Firefighters' Memorial Fund and the California Peace Officer Memorial Fund are required to meet the contribution test only when their respective repeal dates are deleted by another statute. Only the California Seniors Special Fund on the above list is not subject to the minimum contribution requirement.

This bill would establish the California Veterans Homes Fund (Fund) and add it to the personal income tax (PIT) return as a voluntary contribution fund upon the removal of another voluntary contribution fund, to provide an additional funding source for veterans homes administered by the California Department of Veterans Affairs. Taxpayers would be able to designate a contribution in

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excess of the tax liability to the Fund on their PIT return in full dollar amounts of \$1 or more. Upon Legislative appropriation and after reimbursing the Franchise Tax Board (FTB) and the State Controller's Office for their administrative costs, contributions to the Fund would be transferred to the California Department of Veterans Affairs for allocation to the administrators of veterans homes, as specified.

This bill would require the FTB to revise the tax return to include a check-off space for the California Veterans Homes Fund (Fund) beginning with the first taxable year another voluntary contribution fund is removed.

The FTB staff notes that existing tax forms lack space to accommodate additional voluntary contribution designations, and assumes that the Fund would be first placed on the PIT return for the 2011 tax year. The following analysis reflects this assumption. This bill would require the Fund to meet the minimum contribution test of \$250,000 (adjusted for inflation in subsequent tax years) on an annual basis. Otherwise, the law authorizing designations to this fund would be repealed. This bill would allow this check-off to stay on the PIT return for 5 years, unless a later enacted statute deletes or extends that sunset date.

This bill would require FTB to do the following by September 1 of the second and each subsequent calendar year that this check-off appears on the tax return:

- Determine the minimum contribution amount, as indexed for inflation, for the next calendar year.
- Notify the California Department of Veterans Affairs the minimum contribution amount required for the next calendar year.
- Determine if the amount of contributions estimated to be received during the current calendar year will equal or exceed the minimum contribution amount required for that calendar year.

B. Fiscal Analysis

To the extent contributions would not be made to another charity in the absence of this voluntary contribution, this bill would increase itemized deductions and reduce revenues by a minor amount. The FTB estimates that personal income tax revenues would be reduced by approximately \$15,000 annually beginning in 2011-12 as a result of this bill, assuming \$250,000 in contributions were received for the 2011 calendar year and an average marginal tax rate of 6 percent. This bill is not expected to significantly affect the operating costs of the FTB or the State Controller's Office.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
1147/Pers Inc Tax		RV	Yes		--		--	U	-\$15	0001
1730/FTB		SO	No	-----	No/Minor Fiscal Impact				-----	0701
0840/Controller		SO	No	-----	No/Minor Fiscal Impact				-----	0701
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
0701	Veterans' Home Fund									